

SUBSTANCE ABUSE SERVICES CENTER
FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004
AND
INDEPENDENT AUDITORS' REPORTS

SUBSTANCE ABUSE SERVICES CENTER
JUNE 30, 2005 AND 2004

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SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Dykstra	President	May 2006
Clifford Bunting	Vice-President	May 2006
C. Howard Wallace	Secretary	May 2006
Dan Avenarius	Treasurer	May 2006
Leo Hickie III	Member	May 2007
Dorothy Schlueter	Member	May 2006
Jerome Thomas	Member	May 2006
Sheila Freiburger	Member	May 2008
Harry Shackelford	Member	May 2007
Jan Scott	Member	May 2006
Frank Gilloon	Member	May 2006
Jack Young	Member	May 2008
Lou Fuller	At Large Alternate	May 2006
Diane Thomas	Executive Director	Indefinite

Independent Auditors' Report

To the Board of Directors
Substance Abuse Services Center

We have audited the accompanying statements of financial position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Substance Abuse Services Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2005, on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of Expenditures of Federal Awards on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
August 24, 2005

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets:		
Cash	\$ 444,856	\$ 384,604
Accounts receivable, less allowance for doubtful accounts - 2005 \$9,505 and 2004 \$16,404	21,658	21,632
Prepaid expenses	10,622	7,562
Grants receivable	30,515	26,063
Other receivables	-0-	1,153
Total Current Assets	<u>\$ 507,651</u>	<u>\$ 441,014</u>
Property and Equipment:		
Leasehold improvements	\$ 54,806	\$ 54,806
Office furniture and equipment	179,407	159,595
Accumulated depreciation	(169,671)	(149,513)
Net Property and Equipment	<u>\$ 64,542</u>	<u>\$ 64,888</u>
Total Assets	<u><u>\$ 572,193</u></u>	<u><u>\$ 505,902</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 14,158	\$ 10,081
Accrued salaries	7,974	5,902
Compensated absences	30,967	28,356
Accrued expenses	3,053	2,983
Total Current Liabilities	<u>\$ 56,152</u>	<u>\$ 47,322</u>
Net Assets:		
Net Assets - Undesignated	\$ 479,389	\$ 425,092
Net Assets - Board Designated for Suta Claims	36,652	33,488
Total Net Assets	<u>\$ 516,041</u>	<u>\$ 458,580</u>
Total Liabilities and Net Assets	<u><u>\$ 572,193</u></u>	<u><u>\$ 505,902</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>PUBLIC SUPPORT AND REVENUE</u>		
<u>Public Support:</u>		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 456,571	\$ 430,963
Managed Care-Federal Funds	273,942	274,378
Halfway House - ODCP	-0-	3,873
United Way	51,775	46,700
Cities	13,790	14,648
Schools	30,938	38,178
Gambling Grant	196,508	95,171
OWI III Contract	20,429	19,833
Jail Program - ODCP	-0-	38,312
Dubuque Jail Diversion	17,638	5,803
Dubuque Racing Association Grant	15,000	-0-
DSA - Tobacco	15,459	15,459
U.S. Probation Office - Probation Service	4,281	3,241
Federal Bureau of Prisons	3,748	5,590
Total Public Support	<u>\$ 1,100,079</u>	<u>\$ 992,149</u>
<u>Revenue:</u>		
Client Fees	\$ 213,490	\$ 215,518
Third Party Pay	157,952	160,631
Vending Revenue	1,129	1,142
Interest on Investments	4,357	3,665
Miscellaneous	4,297	11,963
Total Revenue	<u>\$ 381,225</u>	<u>\$ 392,919</u>
Total Public Support and Revenue	<u>\$ 1,481,304</u>	<u>\$ 1,385,068</u>
<u>EXPENSES</u>		
Program Services	\$ 1,215,516	\$ 1,125,593
Support Services	208,327	216,367
Total Expenses	<u>\$ 1,423,843</u>	<u>\$ 1,341,960</u>
Change in Net Assets	\$ 57,461	\$ 43,108
Net Assets Beginning of Year	458,580	415,472
Net Assets End of Year	<u>\$ 516,041</u>	<u>\$ 458,580</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	Program Services				Total Program Services	Total Administrative Services	Total
	Treatment	Gambling	Prevention	Halfway House			
Salaries	\$ 556,424	\$ 96,531	\$ 55,923	\$ 75,465	\$ 784,343	\$ 108,107	\$ 892,450
Benefits & taxes	120,987	22,617	13,620	16,545	173,769	18,937	192,706
Total Salaries & Related Expenses	\$ 677,411	\$ 119,148	\$ 69,543	\$ 92,010	\$ 958,112	\$ 127,044	\$ 1,085,156
Rent	54,330	8,346	3,562	20,400	86,638	4,986	91,624
Supplies & printing	33,795	5,390	2,702	2,542	44,429	8,147	52,576
Insurance	2,322	1,082	405	1,211	5,020	607	5,627
Postage	3,103	297	146	78	3,624	210	3,834
Dues & subscriptions	413	57	-0-	18	488	3,283	3,771
Business travel	2,420	10,183	4,090	238	16,931	5,614	22,545
Conferences & travel	6,568	3,057	369	-0-	9,994	680	10,674
Contract services	12,301	150	-0-	615	13,066	20,805	33,871
Telephone	11,330	1,494	500	1,999	15,323	3,151	18,474
Advertising	1,142	101	49	-0-	1,292	83	1,375
Small equipment & repair	7,317	2,180	171	2,137	11,805	2,002	13,807
Bad debts	5,192	-0-	-0-	2,191	7,383	-0-	7,383
Groceries	-0-	-0-	-0-	12,428	12,428	-0-	12,428
Utilities	2,113	195	91	9,222	11,621	153	11,774
Loss on sale of property & equipment	-0-	-0-	-0-	205	205	-0-	205
Depreciation	-0-	-0-	-0-	-0-	-0-	26,024	26,024
Miscellaneous	10,834	5,593	362	368	17,157	5,538	22,695
Total Expenses	<u>\$ 830,591</u>	<u>\$ 157,273</u>	<u>\$ 81,990</u>	<u>\$ 145,662</u>	<u>\$ 1,215,516</u>	<u>\$ 208,327</u>	<u>\$ 1,423,843</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	Program Services				Total Program Services	Total Administrative Services	Total
	Treatment	Gambling	Prevention	Halfway House			
Salaries	\$ 533,779	\$ 61,864	\$ 63,802	\$ 74,921	\$ 734,366	\$ 104,350	\$ 838,716
Benefits & taxes	111,597	16,368	16,073	13,691	157,729	17,942	175,671
Total Salaries & Related Expenses	\$ 645,376	\$ 78,232	\$ 79,875	\$ 88,612	\$ 892,095	\$ 122,292	\$ 1,014,387
Rent	58,113	4,579	2,935	20,400	86,027	4,579	90,606
Supplies & printing	29,972	1,401	2,815	2,888	37,076	6,177	43,253
Insurance	5,454	467	276	483	6,680	302	6,982
Postage	2,919	210	173	189	3,491	210	3,701
Dues & subscriptions	252	16	-0-	413	681	3,277	3,958
Business travel	2,902	4,499	3,849	559	11,809	6,938	18,747
Conferences & travel	5,053	984	942	149	7,128	654	7,782
Contract services	11,786	-0-	-0-	606	12,392	17,715	30,107
Telephone	11,705	1,102	465	3,441	16,713	3,840	20,553
Advertising	1,475	112	66	129	1,782	114	1,896
Small equipment & repair	7,166	304	1,018	1,464	9,952	4,115	14,067
Bad debts	3,785	-0-	-0-	1,205	4,990	-0-	4,990
Groceries	-0-	-0-	-0-	11,663	11,663	-0-	11,663
Utilities	1,689	120	67	9,706	11,582	120	11,702
Loss on sale of property & equipment	-0-	-0-	-0-	-0-	-0-	4,317	4,317
Depreciation	-0-	-0-	-0-	-0-	-0-	31,990	31,990
Miscellaneous	11,020	75	150	287	11,532	9,727	21,259
Total Expenses	\$ 798,667	\$ 92,101	\$ 92,631	\$ 142,194	\$ 1,125,593	\$ 216,367	\$ 1,341,960

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2005 AND 2004

	2005	2004
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 371,416	\$ 380,185
Cash received from grants	1,095,627	1,003,588
Cash received from others	5,426	12,705
Interest received	4,357	3,665
Cash paid to employees and suppliers	<u>(1,390,691)</u>	<u>(1,326,315)</u>
Net Cash Provided By Operating Activities	<u>\$ 86,135</u>	<u>\$ 73,828</u>
Cash Flows From Investing Activities:		
Cash purchases of property and equipment	<u>\$ (25,883)</u>	<u>\$ (19,413)</u>
Net Cash Used From Investing Activities	<u>\$ (25,883)</u>	<u>\$ (19,413)</u>
Net Increase in Cash and Equivalents	\$ 60,252	\$ 54,415
Cash and Equivalents at Beginning of Year	<u>384,604</u>	<u>330,189</u>
Cash and Equivalents at End of Year	<u><u>\$ 444,856</u></u>	<u><u>\$ 384,604</u></u>
Reconciliation of Changes in Net Assets to Net Cash from Operating Activities		
Changes in Net Assets	<u>\$ 57,461</u>	<u>\$ 43,108</u>
Adjustments:		
Depreciation	\$ 26,024	\$ 31,990
Loss on disposal of equipment	205	4,317
Donated equipment	-0-	(400)
Changes in Assets and Liabilities:		
(Increase) Decrease in patient accounts receivable	(26)	4,036
Increase in prepaid expenses	(1,907)	(1,642)
(Increase) Decrease in grants receivable	(4,452)	11,469
Increase (Decrease) in accounts payable	4,077	(20,958)
Increase in accrued salaries	4,683	805
Increase in accrued expenses	70	1,103
	<u>\$ 28,674</u>	<u>\$ 30,720</u>
Net cash Provided By Operating Activities	<u><u>\$ 86,135</u></u>	<u><u>\$ 73,828</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide comprehensive prevention and treatment services for individuals and families experiencing problems related to alcohol and other drugs, compulsive gambling, and other addictive behaviors, and to provide affordable quality care that prepares individuals to make no risk or low risk choices in their lives.

Basis of Accounting

— Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2005 and 2004.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 3-12 years.

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2005 and 2004 was \$1,375 and \$1,896 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004 (CONTINUED)

(2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Leasehold Improvements	\$ 54,806	\$ -0-	\$ -0-	\$ 54,806
Office Equipment	150,396	25,883	5,771	170,508
Education Equipment	440	-0-	-0-	440
Halfway House Equipment	<u>8,759</u>	<u>-0-</u>	<u>300</u>	<u>8,459</u>
Total	<u>\$ 214,401</u>	<u>\$ 25,883</u>	<u>\$ 6,071</u>	<u>\$ 234,213</u>

Depreciation expense for the years ended June 30, 2005 and 2004 was \$26,024 and \$31,990 respectively.

(3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$7,403 and \$8,440 relating to the matching of employee contributions for the years ended June 30, 2005 and 2004 respectively.

(4) Lease Agreements

Substance Abuse Services Center has entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease is for five years commencing on July 1, 2003 and ending on June 30, 2008. The monthly lease payment is \$4,891.

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Manchester, Iowa for the rental of office space in Manchester. The lease is for five years commencing on November 15, 2004 and ending November 14, 2009 with a monthly lease payment of \$1,077. The lease has a five-year option to renew with rent increases based on the Consumer Price Index.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004 (CONTINUED)

(4) Lease Agreements (Continued)

Substance Abuse Services Center has also entered into a lease agreement with The Center for Public Ministries, Inc., Dubuque, Iowa for the rental of a Half-way House. The lease is for one year commencing July 1, 2005 and ending on June 30, 2006 with a monthly lease payment of \$1,700. The lease has a one year renewal option.

Rental expense for the years ended June 30, 2005 and 2004 was \$ 91,624 and \$90,606 respectively.

A summary of minimum operating lease payments are as follows:

Year Ending June 30,	Manchester	Dubuque	Total
2006	\$12,924	\$ 79,089	\$ 92,013
2007	12,924	58,689	71,613
2008	12,924	58,689	71,613
2009	11,309	-0-	11,309
	<u>\$50,081</u>	<u>\$196,467</u>	<u>\$246,548</u>

(5) Grants Receivable

Grants Receivable at June 30, 2005 and 2004 are composed of the following:

	2005	2004
Federal Bureau of Prisons	\$ 1,082	\$ 920
Iowa Department of Correctional Services	1,700	1,652
United States Probation Office	90	806
Dubuque County Jail Diversion	1,413	1,498
Iowa Department of Public Health - Division of Tobacco Use	2,137	4,890
Iowa Department of Public Health - Gambling Treatment	24,093	16,297
	<u>\$ 30,515</u>	<u>\$ 26,063</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2005 and 2004 include the following:

SUTA Claims Account	<u>\$ 36,652</u>	<u>\$ 33,488</u>
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SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004
(CONTINUED)

(7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(8) Concentration of Credit Risk:

The Center maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2005 and 2004 the Center had an uninsured cash balance at one of the institutions in the amount of \$6,178 and \$19,878 respectively.

(9) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 48.9% and 51.0% of total revenue for the years ended June 30, 2005 and 2004 respectively.

SUBSTANCE ABUSE SERVICES CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
Administrative Office of the United States Courts:			
Federal Bureau of Prisons	05-4107	----	\$ 3,748
United States Probation Office Probation Services Contract	0862-05-33	----	<u>4,281</u>
Total Direct			<u>\$ 8,029</u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc. Alcohol and Drug Abuse and Mental Health Block Grant - Managed Care		93.959	\$ 273,942
Dubuque County:			
Jail Diversion Program		93.245	17,638
United States Department of Education:			
Safe and Drug Free Schools and Communities		84.186	<u>30,938</u>
Total Indirect			<u>\$ 322,518</u>
Total			<u><u>\$ 330,547</u></u>

Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors
Substance Abuse Services Center

We have audited the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Substance Abuse Services Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Substance Abuse Services Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions have been reported to management of Substance Abuse Services Center in a separate letter dated August 24, 2005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. Of the reportable conditions described above, we believe none are a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Substance Abuse Services Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of Substance Abuse Services Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Substance Abuse Services Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
August 24, 2005

NEWS RELEASE

FOR RELEASE _____

Jim Kircher & Associates, P.C., today, released an audit report on Substance Abuse Services Center, Dubuque, Iowa.

Jim Kircher & Associates, P.C. reported that the Center had public support and revenues of \$1,481,304 for the year ended June 30, 2005, which was a 6.9% increase from the prior year. Expenses for the Center's operations totaled \$1,423,843, a 6.1% increase from the prior year. Expenses included \$1,215,516 for program services and \$208,327 for support services; \$25,883 was also expended for property and equipment.

A copy of the audit report is available for review in the office of Auditor of State and the Substance Abuse Services Center.